

# Challenges and Opportunities for the Beauty Industry during the Pandemic

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## ABSTRACT

In early 2020, the outbreak of Covid-19 stopped billions of Chinese people from working and travelling. All citizens except doctors and nurses are required to stay at home. Some of factories and companies couldn't fight the pressure and finally had to go bankrupt, others tried hard to survive, and the unemployment rate in China raised to the highest number among last five years. Accordingly, during that time, most people only care about how to survive, and beauty products were considered as unnecessities to them. The sales of beauty industry during the first quarter of 2020 decreased about 15% compared to 2019. Facing such challenges, the beauty industry needs to take actions to survive and recover itself after the pandemic.

*Keywords: Coronavirus, Opportunities, Challenges, Makeup*

## 1. INTRODUCTION

Due to the control of the Coronavirus, starting from May 2020, the economy was recovering slowly from the pandemic impacts, and the demand of beauty products increased as well. However, because of the requirement of wearing masks in public places, customers reduced their demands for lipsticks, but increased the demands for skin care products. Therefore, there have been some drastic changes happening in the beauty industry and the changes reshaped the business. Until now, August 2021, the world is still suffering from this virus, and changes from the last 2 years are still affecting the business, which deserves further studies.

The pandemic has brought drastic changes to various industries since early 2020, and we are planning to look into the changes from a beauty industry perspective. This essay will mainly discuss the following topics:

1. challenges for beauty products during the epidemic era.;2. opportunities for beauty products in the early stage of the pandemic;3. suggestions for beauty products' further development during the post-pandemic era.

## 2. CHALLENGES FOR BEAUTY PRODUCTS DURING THE EPIDEMIC ERA

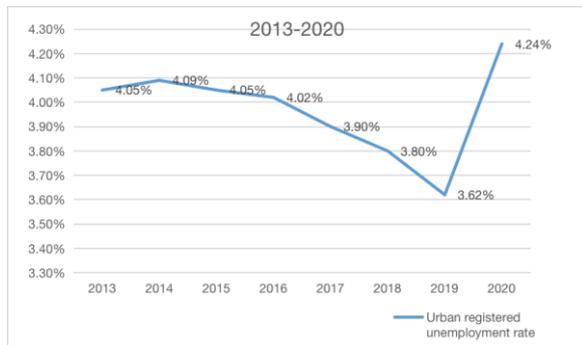
### *2.1 More rational consumption due to the lower income*

Except from stable jobs like doctors, teachers and civil servants, many service-based industries have been hit hard by the pandemic. In the first two months of 2020, the turnover loss of hotel enterprises exceeded 67 billion yuan. (Data from China Hotel Association 2020). In the first quarter of 2020, China's three major industries all showed a negative year-on-year growth trend: the year-on-year and sequential growth rates of China's GDP in the first quarter of 2020 were -6.8 and -9.8 respectively; the urban unemployment registration rate increased rapidly in 2020; the year-on-year disposable income dropped drastically as well.

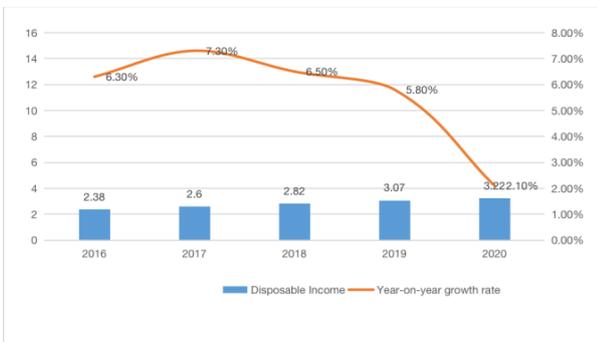
**Table 1.** China’s GDP in 2020 Q1 [1]

[Source: National Bureau of Statistics]

	Absolute amount (RMB 100 million)	Growth from a year earlier (%)
	Q 1	Q 1
GDP	206504	-6.8
Primary industry	10186	-3.2
The secondary industry	73638	-9.6
The tertiary industry	122680	-5.2



**Figure 1** Increase of Urban Unemployment registration rate



**Figure 2** Year-on-Year disposable income

It can be seen that in the context of economic depression, social unemployment rate increases and leads to a decrease of per capita disposable income. People were thinking more about how to save money and spend it on necessities to survive, impulse consumption and brand power were reduced, and people preferred rational consumption on cost-effective products.

**2.2 Reduced demands**

On January 23, 2020, as the pandemic spread across the country, Wuhan began a 76-day lockdown. People across China also began months-long shutdown. In the early stage of pandemic, people in Wuhan cared more

about how to stay safe. At the moment of pandemic, people realized that life is the priority, and seldom did they want to discover whether there were small defects on their face. As the number of cases decreased, factories and schools reopened. With the incentive of festivals like 618 shopping festival, or Mother’s Day, the sales of products including beauty products began to increase month-over-month. But the normalization of wearing masks has created new problems, leading to a continued decline of demands for lip make-up. The reduced demands [2] for one of the most used makeup products partially reshaped the industry of cosmetics, and the companies in the field had to strive to cater to the changes in market demands.

**3. OPPORTUNITIES FOR BEAUTY PRODUCTS IN THE EARLY STAGE OF THE PANDEMIC**

**3.1 From beauty to skin care**

**3.1.1 New trends of home skin care**

After the outbreak of the pandemic, “skin care at home” has become a new way for many beauty lovers to enjoy their life. The topic of “What is it like to take care of your skin at home” has been posted more than 80K times on RED, a famous social platform in China. The same topic was also hotly discussed on Sina Weibo, with views more than 32 million.

**3.1.2 Sales of skin care products skyrocketed**

Affected by consumers’ preferences, functional skin care product sales hit a new high level. The sales growth of several functional skin care products was more than 100%.

**Table 2.** Year-on-year products of different brands [3]

Brand	2021.6.1-18 GMV (thousand yuan)	Year-on-year growth rate (%)
Winona	31,670	103
PROYA	29,149	85
Dr.Yu	24,353	252
HERBORIST	3,497	95
BIOHYALUX	9,994	151
QuadHA	11,818	778
MEDREPAIR	2,176	112
Dr.Alva	8,585	377
RELLET	4,308	120

[Source: GUOTAI JUNAN SECURITIES]

### *3.1.3 Emerging of skin care products*

“Nicotinamide”, the whitening ingredient in beauty makeup, has also been introduced into the food industry, unlocked a new health "posture" of "nicotinamide + health maintenance", and "beauty products " are increasingly rich and diversified.

Take “SIMETOL” official online store and their niacinamide Small white drink as an example, the total sales of zimeitang official store this year increased by 100% year-on-year. After the launch of the new niacinamide small white drink, during 2020’s Tmall "618" shopping festival, the store's sales were expected to exceed 15 million yuan. Data showed that most buyers of niacinamide white drink at SIMETOL 's official online store were women around 25-30 year old.

### *3.2 Makeup design for specific scenes*

With the resumption of work but the normalization of wearing masks. “Mask makeup” tutorials have become a hot topic on social media, aiming at practical problems such as how to protect your face. Related topics such as “Mask Universal Formula” have been searched on Sina Weibo, and RED for more than 20k times.

The enthusiasm for makeup has also led to a resurgence in sales of eye makeup products. On Feb 19, Taobao Economics Bulletin showed that 8.2 million people watched a live broadcast of “mask makeup”. In addition, lipstick was also popular due to the resumption of work, sales of brand lipstick increase between 300% and 700%; Eye makeup products also ushered in the hot buying tide, according to Taobao global purchase data, the sales of nine mesh eye shadow increased by nearly 1.5 times.

### *3.3 Live broadcast for products*

Facing the impact of the pandemic on offline sales, many beauty brands quickly adjusted their marketing channels and started a new way to save their brands.

During the pandemic, live broadcast has shown its strengths and become a great “weapon” for many brands to make up for their sales decline in offline channels.

One typical brand is called “Lin Qing Xuan”, a domestic makeup brand in China. It has switched to Taobao live since the first of February, transferring all 1,600 offline guides and 400 employees in the headquarters to online sales. After half a month of full broadcast, sales increased by 45% compared with the numbers last year. On February 14, Sun Laichun, founder of Lin Qing Xuan, appeared on the live broadcast, attracting more than 60,000 viewers and achieved nearly 400,000 yuan in sales.<sup>[4]</sup>

### *3.4 Developing new products*

The Perfect Diary worked with Lijiaqi, one of the top broadcasters. Li has a cute dog and Perfect Diary worked with him to design the brand-new animal eye shadow dish series, featuring the dog in the design. The product was really surprising and about 150,000 eye shadow plates were snapped up within a few seconds in Li’s live broadcast.<sup>[5]</sup>

### *3.5 Catch the news!*

In the time of the pandemic, the hot social topics are carrying more weight in public attention since people are mostly staying indoors and they have more time talking about them than before. The brands that catch the news in time are the ones that win the game of attention and marketing.

Han Shu, a Chinese skincare brand, was the first to issue a termination note in mid-2021 after Chinese top entertainer Kris Wu was found to have raped a minor.

Nearly 60,000 comments and 2.33 million likes were received on Han Shu’s Weibo, creating the greatest interaction stats for all Han Shu. Many users commented: “well done,” “ready to buy your products”.<sup>[6]</sup>

Also, the live broadcast of Han Shu won much attention: it grew from a situation of “no one showed up” to 3 million viewers online at the same time. That’s only because of one weibo that caught the news.

According to pangqiu data, as of 23:11 on the evening of July 18, Han Shu's Taobao store’s live broadcast sales on that day have exceeded 1.32 million yuan. According to data from Taobao live broadcast, the number of views has exceeded 1.28 million. The sales volume of the one live broadcast was 7,194 pieces, and ATV was 206 yuan. Among them, Han Shu hydrating hyaluronic acid mask, which had the highest sales volume, sold 2,556 pieces, with a sales volume of 406,400 yuan.

## **4. SUGGESTIONS FOR BEAUTY PRODUCTS’ FURTHER DEVELOPMENT DURING THE POST-PANDEMIC ERA**

Based on the features of the pandemic times and the impacts to the cosmetics industry, the study would give some suggestions on what to do for the industry to survive and succeed. The study leveraged Porter’s Five Forces to analyze the opportunities and cover the possible measures to take.

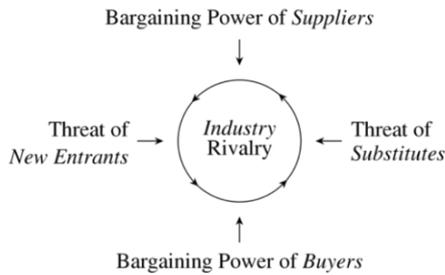


Figure 3 Porter's Five Forces [7]

**4.1 Increase the cost performance to fight with the threat of new entrants**

Nowadays, customers prefer products which are cheap and useful. In addition, lots of start-up brands sell their products at a very low price. Accordingly, mature brands should design more products with high cost-efficiency to meet customers standards. To defend the threats from new market players, improving the performance of the cost-profit structure for all the brands would be quite necessary.

**4.2 Design new products to improve the bargaining power of buyers.**

Lots of products from different brands in the market share the same function or same outlook. Except for reducing the price, releasing new products would also be a great idea. The new products can be designed with some special local IP, such as the Palace Museum.

**4.3 Using new ingredients to prevent the threats of substitutes**

Products in the beauty industry always have lots of substitutes, customers can pick lipsticks from at least hundreds of brands. Companies should built their moats with new ingredients and the related production technologies, so that they can offer the unique products and other companies won't share the market. In other words, the new ingredients will make it very hard for the companies to be substituted in the competition.

**5. CONCLUSION**

Though the Coronavirus is still affecting different regions all over the world and the beauty industry was hit during the start of the pandemic. Nevertheless, lots of brands found their own ways to defend themselves and keep the overall sales data great, which has fostered another round of industry "revolution" in the beauty business. Looking forward into the future, customers will for sure have more strict requirements for their beauty products and brands, which suggests the fact that all beauty industry players should be well prepared to change themselves along the changes happening among customers and their competitors in the market.

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